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BEFORE THE ARIZONA CORPORATION COMMISSION

325

MARC SPITZER

Chairman

2004 NOV -5 A 8:09

WILLIAM A. MUNDELL

Commissioner

AZ CORP COMMISSION
DOCUMENT CONTROL

JEFF HATCH-MILLER

Commissioner

Arizona Corporation Commission

DOCKETED

MIKE GLEASON

Commissioner

NOV - 5 2004

KRISTIN K. MAYES

Commissioner

DOCKETED BY	<i>CM</i>
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IN THE MATTER OF THE
APPLICATION OF ARIZONA PUBLIC
SERVICE COMPANY FOR A
HEARING TO DETERMINE THE FAIR
VALUE OF THE UTILITY PROPERTY
OF THE COMPANY FOR
RATEMAKING PURPOSES, TO FIX A
JUST AND REASONABLE RATE OF
RETURN THEREON, TO APPROVE
RATE SCHEDULES DESIGNED TO
DEVELOP SUCH RETURN, AND FOR
APPROVAL OF PURCHASED POWER
CONTRACT

DOCKET NO. E-01345A-03-0437

NOTICE OF FILING OF
SUMMARY OF TESTIMONY OF
JENNIFER CHAMBERLIN

PLEASE TAKE NOTICE THAT Strategic Energy, L.L.C. hereby files the attached
Summary of Testimony of Jennifer Chamberlin.

DATED this 4th day of November, 2004.

SACKS TIERNEY P.A.

By Charlene Gibson Robertson

Marvin S. Cohen

Charlene Gibson Robertson

Attorneys for Constellation

NewEnergy, Inc. and Strategic

Energy, L.L.C.

SACKS TIERNEY P.A., LAWYERS
4250 NORTH DRINKWATER BOULEVARD
FOURTH FLOOR
SCOTTSDALE, ARIZONA 85251-3893

1 THE ORIGINAL AND 13 COPIES OF
2 THE FOREGOING FILED
3 this 4th day of November, 2004, with:

4 Docket Control
5 Arizona Corporation Commission
6 1200 West Washington
7 Phoenix, Arizona 85007

8 COPIES OF THE FOREGOING
9 HAND-DELIVERED
10 this 4th day of November, 2004, to:

11 MARC SPITZER, Chairman
12 Arizona Corporation Commission
13 1200 West Washington
14 Phoenix, Arizona 85007

15 WILLIAM A. MUNDELL, Commissioner
16 Arizona Corporation Commission
17 1200 West Washington
18 Phoenix, Arizona 85007

19 JEFF HATCH-MILLER, Commissioner
20 Arizona Corporation Commission
21 1200 West Washington
22 Phoenix, Arizona 85007

23 MIKE GLEASON, Commissioner
24 Arizona Corporation Commission
25 1200 West Washington
26 Phoenix, Arizona 85007

27 KRISTIN K. MAYES, Commissioner
28 Arizona Corporation Commission
1200 West Washington
Phoenix, Arizona 85007

Lyn Farmer, Chief Administrative Law
Judge
Hearing Division
Arizona Corporation Commission
1200 West Washington
Phoenix, Arizona 85007
Lfarmer@cc.state.az.us

Christopher Kempley, Chief Counsel
Legal Division
Arizona Corporation Commission
1200 West Washington
Phoenix, Arizona 85007
Ckempley@cc.state.az.us

1 Ernest Johnson, Director
Utilities Division
2 Arizona Corporation Commission
1200 West Washington
3 Phoenix, Arizona 85007
Ejohnson@cc.state.az.us

4 COPIES OF THE FOREGOING
5 MAILED/E-MAILED
this 4th day of November, 2004, to:

6 Jeffrey B. Guldner
7 Kimberly A. Grouse
Faraq Sanei
8 SNELL & WILMER
400 E. Van Buren Street
9 One Arizona Center
Phoenix, Arizona 85004-2202
10 jguldner@swlaw.com
kgrouse@swlaw.com
11 fsanei@swlaw.com
Attorneys for Arizona Public Service Company

12 Thomas L. Mumaw
13 Karilee S. Ramaley
PINNACLE WEST
14 CAPITAL CORPORATION
P.O. Box 53999, MS 8695
15 Phoenix, Arizona 85072-3999
thomas.mumaw@pinnaclewest.com
16 karilee.ramaley@pinnaclewest.com

17 C. Webb Crockett
FENNEMORE CRAIG
18 3003 North Central Avenue, Suite 2600
Phoenix, Arizona 85012
19 wcrocket@fclaw.com
Attorneys for AECC and Phelps Dodge

20 Major Allen G. Erickson
21 AFCES A/ULT
139 Barnes Drive, Suite 1
22 Tyndall AFB, Florida 32403-5319
allen.erickson@tyndall.af.mil
23 Attorney for FEA

24 Michael L. Kurtz
BOEHM, KURTZ & LOWRY
25 36 East Seventh Street, Suite 2110
Cincinnati, Ohio 45202
26 mkurtzlaw@aol.com
Attorneys for Kroger Company

- 1 Scott Wakefield
RUCO
- 2 1110 West Washington Street, Suite 220
Phoenix, Arizona 85007
- 3 swakefield@azruco.com
- 4 Walter W. Meek
AUIA
- 5 2100 North Central Avenue, Suite 210
Phoenix, Arizona 85067
- 6 meek@auia.org
- 7 Nicholas J. Enoch
LUBIN & ENOCH
- 8 349 North Fourth Avenue
Phoenix, Arizona 85003
- 9 Nicholas.enoch@azbar.org
Attorneys for IBEW
- 10 Bill Murphy
- 11 MURPHY CONSULTING
2422 East Palo Verde Drive
- 12 Phoenix, Arizona 85016
billmurphy@cox.net
- 13 Consultant for Arizona Cogeneration Assn.
- 14 Jay L. Shapiro
Patrick J. Black
- 15 FENNEMORE CRAIG
3003 North Central Avenue, Suite 2600
- 16 Phoenix, Arizona 85012
jshapiro@fclaw.com
- 17 pblack@fclaw.com
Attorneys for Panda Gila River, L.P.
- 18 Robert W. Geake
- 19 ARIZONA WATER COMPANY
P.O. Box 29006
- 20 Phoenix, Arizona 85038-9006
bgeake@azwater.com
- 21 Andrew W. Bettwy
Bridget A. Branigan
- 22 SOUTHWEST GAS CORPORATION
5241 Spring Mountain Road
- 23 Las Vegas, Nevada 89150
andy.bettwy@swgas.com
- 24 Timothy M. Hogan
- 25 ARIZONA CENTER FOR LAW
IN THE PUBLIC INTEREST
- 26 202 East McDowell Road, Suite 153
Phoenix, Arizona 85004
- 27 thogan@aclpi.org
Attorneys for Western Resource Advocates
- 28

1 Paul R. Michaud
MICHAUD LAW FIRM
2 23 Crimson Heights Road
Portland, CT 06480
3 michaudlaw@msn.com
Attorneys for Dome Valley Energy Partners, LLC

4 Jeff Schlegel
5 SWEEP Arizona Representative
1167 W. Samalayuca Drive
6 Tucson, AZ 85704
schlegelj@aol.com

7 Raymond S. Heyman
8 Laura Schoeler
ROSHKA, HEYMAN & DeWULF
9 400 East Van Buren, Suite 800
Phoenix, Arizona 85004
10 rheyman@rhd-law.com
lschoeler@rhd-law.com
11 Attorneys for UniSource Energy Services

12 Deborah R. Scott
UNISOURCE ENERGY SERVICES
13 One South Church Street, Suite 200
Tucson, Arizona 85702
14 dscott@tucsonelectric.com

15 J. William Moore
1144 East Jefferson
16 Phoenix, Arizona 85034
jwilliammoore@worldnet.att.net
17 Attorney for Kroger Co.

18 Cynthia Zwick
ARIZONA COMMUNITY ACTION ASSOCIATION
19 2627 North 3rd Street Suite Two
Phoenix, Arizona 85004
20 czwick@azcaa.org

21 S. David Childers
LOW & CHILDERS
22 2999 North 44th Street, Suite 250
Phoenix, Arizona 85018
23 dchilders@lowchilders.com
Attorney for Arizona Competitive Power Alliance

24 James M. Van Nostrand
25 Katherine McDowell
George M. Galloway
26 STOEL RIVES
900 SW Fifth Avenue, Ste. 2600
27 Portland, Oregon 97204
jmvannostrand@stoel.com
28 kamcdowell@stoel.com
Attorneys for Arizona Competitive Power Alliance

- 1 Greg Patterson, Executive Director
ARIZONA COMPETITIVE POWER ALLIANCE
- 2 916 West Adams, Suite 3
Phoenix, Arizona 85007
- 3 greg@azcpa.org
- 4 Michael A. Curtis
MARTINEZ & CURTIS, P.C.
- 5 2712 North Seventh Street
Phoenix, Arizona 85006-1090
- 6 mcurtis401@aol.com
Attorneys for Town of Wickenburg
- 7
- 8 Rebecca C. Salisbury
56th Fighter Wing JA
7383 North Litchfield Road
- 9 Luke AFB, Arizona 85309-1540
rebecca.salisbury@like.af.mil
- 10 Attorney for Federal Executive Agencies
- 11 Jon Poston
AARP Electric Rate Project
- 12 6733 East Dale Lane
Cave Creek, Arizona 85331
- 13 Jon_Poston@prodigy.net
- 14 Coralette Hannon
AARP Department of State Affairs
- 15 6705 Reedy Creek Road
Charlotte, North Carolina 28215
- 16 channon@aarp.org
- 17 Lawrence V. Robertson
MUNGER CHADWICK
- 18 333 North Wilmot, Suite 300
Tucson, Arizona 85711
- 19 lvrobertson@mungerchadwick.com
Attorneys for Southwestern Power Group II, LLC,
20 Mesquite Power and Bowing Power Station
- 21 Jay I. Moyes
MOYES STOREY
- 22 3003 N. Central Avenue, Suite 1250
Phoenix, AZ 85012
- 23 limoyes@lawms.com
Attorneys for PPL Sundance, LLC and PPL
24 Southwest Generation Holdings, LLC
- 25 Jesse A. Dillon
PPL Services Corporation
- 26 Two N. Ninth Street
Allentown, PA 18101
- 27 jadillon@pplweb.com
- 28

1 Sean Seitz
2 AriSEIA
3 5056 40th Street, Suite C
4 Phoenix, AZ 85040
5 sean@americanpv.com
6
7 Robert Annan
8 ANNAN GROUP
9 6605 E. Evening Glow Drive
10 Phoenix, AZ 85262
11 annan@globalcrossing.net
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28

Wendy Petersen

SUMMARY OF TESTIMONY OF JENNIFER CHAMBERLIN

1 My name is Jennifer Chamberlin. I am Strategic Energy's Manager of Regulatory
2 Affairs for the Western Region. Strategic Energy is an energy management company that
3 provides electric load aggregation and power supply coordination services. Strategic Energy is
4 licensed to provide retail electric service in 12 states and has more than 42,000 commercial and
5 industrial customers in states that have enacted retail choice, including Pennsylvania, Michigan,
6 Maryland, Ohio, New York, Massachusetts, Texas, and California—with many more states
7 expected to come online in the next few years. Strategic Energy manages or procures more than
8 \$2 billion dollars of electricity and natural gas per year.

9 I am testifying in support of the Proposed Settlement document in Docket No E-01345A-
10 03-0437. Strategic Energy, jointly with Constellation NewEnergy sponsored the testimony of
11 Witness Mark Fulmer and participated extensively in the Settlement conferences. Mr. Fulmer's
12 testimony stated that this rate case provides an opportunity to transition to a system that will
13 allow genuine customer choice and proposed that this transition be facilitated by 1) eliminating
14 the threat of "new" stranded costs, 2) ensuring that direct access customers are treated in a non-
15 discriminatory manner, and 3) implementing a market structure that would enable and encourage
16 customers who are able to benefit from participation in a power market to do so.

17 The Proposed Settlement, crafted through a collaboration of parties representing the
18 gamut of Arizona's ratepayer interests, effectively addresses these and the other complex issues
19 raised in this case. We believe the proposals agreed upon resolve these issues in a manner that
20 serves the public interest.

21 Strategic's goal in participating in this case was to help foster a robust, competitive retail
22 and wholesale marketplace within Arizona. We believe that the collaborative process
23 undertaken to achieve the Proposed Settlement took into account the interests of each party and

1 achieved a balanced result that is an excellent compromise for all parties involved and for the
2 ratepayers of Arizona. A number of elements of the Agreement respond to the proposals in Mr.
3 Fulmer's testimony and tend to preserve the potential for retail competition in the APS service
4 territory:

5 1) Paragraph 8 requires APS to forgo any stranded cost claims associated with the PWEC
6 assets now and in the future.

7 2) Paragraph 15 adds West Phoenix CC-4 and West Phoenix CC-5 to the pool of "local
8 generation assets" defined by the AISA or successor protocol, which will allow generation from
9 these assets to be made available to serve direct access load during must-run conditions.

10 3) Section IX provides for APS to engage in a Competitive Power Procurement process.

11 4) Section XI provides that APS will not, prior to 2015, add self-built generation to its
12 system unless the Commission determines that the wholesale market is unable to efficiently meet
13 APS's power needs.

14 5) Rate Design: A key component in fostering retail competition is providing customers
15 with an unbundled generation component that is adequate to allow a customer to shop for
16 alternative energy supply. The rate designs for commercial and industrial customers in the
17 Proposed Settlement (paragraph 119 and attached rate schedules) bring the generation
18 component of APS rates to a cost of service level and improve customers' opportunity to take
19 advantage of competitive markets.

20 6) Transmission Cost Adjustor (TCA): The TCA described in Section XVI will help
21 ensure that customers have equivalent costs for electric transmission whether they are on
22 bundled utility service or taking Direct Access service.

1 7) Demand Side Management (DSM): The Proposed Settlement calls for a significant
2 increase in DSM spending funded via base rates and adjustor mechanisms. Paragraph 53 ensures
3 that Direct Access customers will be allowed to benefit from the programs they are funding.

4 8) Planning: In Paragraph 81, the Proposed Settlement provides that in its planning, APS
5 will recognize the potential for direct access service.

6 In addition to the issues reflected in the Proposed Settlement, Mr. Fulmer's testimony
7 also advocated that the Commission consider implementing a core/non-core market structure in
8 the APS service territory; the Proposed Settlement does not specifically address this proposal but
9 does preserve the option that direct access market issues such as our proposal be addressed in the
10 ECAG or similar forum. I believe that addressing market issues such as our proposal in a
11 statewide forum is appropriate.